

105TH CONGRESS
2D SESSION

H. R. 4243

To reduce waste, fraud, and error in Government programs by making improvements with respect to Federal management and debt collection practices, Federal payment systems, Federal benefit programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 16, 1998

Mr. HORN (for himself, Mrs. MALONEY of New York, Mr. SESSIONS, Mr. SUNUNU, and Mr. KANJORSKI) introduced the following bill; which was referred to the Committee on Government Reform and Oversight, and in addition to the Committees on the Judiciary, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To reduce waste, fraud, and error in Government programs by making improvements with respect to Federal management and debt collection practices, Federal payment systems, Federal benefit programs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
 3 “Government Waste, Fraud, and Error Reduction Act of
 4 1998”.

5 (b) TABLE OF CONTENTS.—The table of contents for
 6 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Purposes.

TITLE I—GENERAL MANAGEMENT IMPROVEMENTS

Sec. 101. Improving financial management.

Sec. 102. Improving travel management.

TITLE II—IMPROVING FEDERAL DEBT COLLECTION PRACTICES

Sec. 201. Miscellaneous technical corrections to subchapter II of chapter 37 of
 title 31, United States Code.

Sec. 202. Barring delinquent Federal debtors from obtaining Federal loans or
 loan insurance guarantees.

Sec. 203. Collection and compromise and nontax debts and claims.

TITLE III—SALE OF DEBTS OWED TO UNITED STATES

Sec. 301. Authority to sell debts.

Sec. 302. Requirement to sell certain debts.

TITLE IV—TREATMENT OF HIGH VALUE DEBTS

Sec. 401. Annual report on high value debts.

Sec. 402. Debarment from obtaining Federal loans or loan guarantees.

Sec. 403. Inspector General review.

Sec. 404. Requirement to seek seizure and forfeiture of assets securing high
 value debt.

TITLE V—FEDERAL PAYMENTS

Sec. 501. Transfer of responsibility to Secretary of the Treasury with respect
 to prompt payment.

Sec. 502. Promoting electronic payments.

**TITLE VI—FEDERAL BENEFIT VERIFICATION AND INTEGRITY
 TESTS**

Sec. 601. Short title.

Sec. 602. Purposes.

Sec. 603. Definitions.

**Subtitle A—Notification of Federal Benefit Recipients Regarding Data
 Verification**

Sec. 612. Program agency responsibility to provide correct information.

Subtitle B—Federal Benefit Program Management Improvement Tests

Sec. 621. Tests of practices and techniques for improving Federal benefit program management.

Sec. 622. Sharing of information in national directory of new hires.

Sec. 623. Increased penalties and punitive damages under privacy act.

Sec. 624. Establishment of the Federal benefit verification and payment integrity board.

Sec. 625. Implementation of tested information technology practices or techniques.

1 SEC. 2. PURPOSES.

2 The purposes of this Act are the following:

3 (1) Reduce waste, fraud, and error in Federal
4 benefit programs.

5 (2) Focus Federal agency management atten-
6 tion on high-risk programs.

7 (3) Better collect debts owed to the United
8 States.

9 (4) Improve Federal payment systems.

10 (5) Improve reporting on Government oper-
11 ations.

12 **TITLE I—GENERAL**
13 **MANAGEMENT IMPROVEMENTS**

14 **SEC. 101. IMPROVING FINANCIAL MANAGEMENT.**

15 (a) REPEAL.—Section 3515 of title 31, United States
16 Code, is amended—

17 (1) in subsection (A)—

18 (A) by striking “1997” and inserting
19 “1999”; and

20 (B) by inserting “Congress and” after
21 “submit to”;

1 (2) by striking subsection (e); and

2 (3) by striking subsections (f), (g), and (h).

3 (b) AUTHORITY TO ACCEPT ELECTRONIC PAY-
4 MENT.—

5 (1) IN GENERAL.—Subject to an agreement be-
6 tween the head of an executive agency and the appli-
7 cable financial institution or institutions, the head of
8 such agency may accept an electronic payment to
9 satisfy a debt owed to the agency.

10 (2) GUIDELINES FOR AGREEMENTS REGARDING
11 PAYMENT.—The Director of the Office of Manage-
12 ment and Budget shall develop guidelines regarding
13 agreements between agencies and financial institu-
14 tions under paragraph (1).

15 (c) EFFECTIVE DATES.—

16 (1) IN GENERAL.—Except as provided in para-
17 graph (2), this section shall take effect on the date
18 of the enactment of this Act.

19 (2) SECRETARY'S WAIVER AUTHORITY.—Sub-
20 section (a)(1) of this section shall take effect March
21 1, 1998.

22 **SEC. 102. IMPROVING TRAVEL MANAGEMENT.**

23 (a) PAYMENT OF STATE AND LOCAL TAXES ON
24 TRAVEL EXPENSES.—

1 (1) IN GENERAL.—The Administrator of Gen-
2 eral Services shall ensure that employees of execu-
3 tive agencies are not inappropriately charged State
4 and local taxes on travel expenses, including trans-
5 portation, lodging, automobile rental, and other mis-
6 cellaneous travel expenses.

7 (2) REPORT.—Not later than March 31, 1999,
8 the Administrator shall, after consultation with the
9 heads of executive agencies, submit to Congress a
10 report describing the steps taken, and proposed to
11 be taken, to carry out this subsection.

12 (b) LIMITED EXCLUSION FROM REQUIREMENT RE-
13 GARDING OCCUPATION OF QUARTERS.—Section 5911(e)
14 of title 5, United States Code, is amended by adding at
15 the end the following new sentence: “The preceding sen-
16 tence shall not apply with respect to lodging provided
17 under chapter 57 of this title.”.

18 (c) USE OF TRAVEL MANAGEMENT CENTERS,
19 AGENTS, AND ELECTRONIC PAYMENT SYSTEMS.—

20 (1) REQUIREMENT TO ENCOURAGE USE.—The
21 head of each executive agency shall, with respect to
22 travel by employees of the agency in the perform-
23 ance of the employment duties by the employee, re-
24 quire, to the maximum extent possible, the use by
25 such employees of travel management centers, travel

agents authorized for use by such employees, and electronic reservation and payment systems for the purpose of improving efficiency and economy regarding travel by employees of the agency.

(2) PLAN FOR IMPLEMENTATION.—(A) The Administrator of General Services shall develop a plan regarding the implementation of this subsection and shall, after consultation with the heads of executive agencies, submit to Congress a report describing such plan and the means by which such agency heads plan to ensure that employees use travel management centers, travel agents, and electronic reservation and payment systems as required by this subsection.

(B) The Administrator shall submit the plan required under subparagraph (A) not later than March 31, 1999.

TITLE II—IMPROVING FEDERAL DEBT COLLECTION PRACTICES

SEC. 201. MISCELLANEOUS TECHNICAL CORRECTIONS TO SUBCHAPTER II OF CHAPTER 37 OF TITLE 31, UNITED STATES CODE.

(a) CHILD SUPPORT ENFORCEMENT.—Section 3716(h)(3) of title 31, United States Code, is amended to read as follows:

1 “(3) In applying this subsection with respect to any
 2 debt owed to a State, other than past due support being
 3 enforced by the State, subsection (c)(3)(A) shall not
 4 apply.”.

5 (b) CHARGES BY DEBT COLLECTION CONTRAC-
 6 TORS.—

7 (1) COLLECTION BY SECRETARY OF THE
 8 TREASURY.—Section 3711(g) of title 31, United
 9 States Code, is amended by adding at the end the
 10 following:

11 “(11) The amount received by a person for perform-
 12 ance of collection services under this section shall not be
 13 limited by State law.”.

14 (2) COLLECTION BY PROGRAM AGENCY.—Sec-
 15 tion 3718 of title 31, United States Code, is amend-
 16 ed by adding at the end the following:

17 “(h) The amount received by a person for perform-
 18 ance of collection services under this section or section
 19 3711(g) of this title shall not be limited by State law.”.

20 (c) DEBT SALES.—Section 3711 of title 31, United
 21 States Code, is amended by striking subsection (i).

22 (d) GAINSHARING.—Section 3720C(b)(2)(D) of title
 23 31, United States Code, is amended by striking “delin-
 24 quent loans” and inserting “debts”.

1 (e) PROVISIONS RELATING TO PRIVATE COLLECTION
2 CONTRACTORS.—

3 (1) COLLECTION BY SECRETARY OF THE
4 TREASURY.—Section 3711(g) of title 31, United
5 States Code, is further amended by adding at the
6 end the following:

7 “(12) In attempting to collect under this subsection
8 any debt owed to the United States, a private collection
9 contractor shall not be precluded from verifying the debt-
10 or’s current employer, the location of the payroll office of
11 the debtor’s current employer, the period the debtor has
12 been employed by their current employer, and the com-
13 pensation received by the debtor from their current em-
14 ployer.

15 “(13)(A) The Secretary of the Treasury shall provide
16 that any contract with a private collection contractor
17 under this subsection shall include a provision that the
18 contractor shall be subject to penalties under the con-
19 tract—

20 “(i) if the contractor fails to comply with any
21 restrictions under applicable law regarding the col-
22 lection activities of debt collectors; or

23 “(ii) if the contractor engages in unreasonable
24 or abusive debt collection practices in connection
25 with the collection of debt under the contract.

1 “(B) Notwithstanding any other provision of law, a
2 private collection contractor under this subsection—

3 “(i) shall not be subject to any liability or con-
4 tract penalties in connection with efforts to collect a
5 debt pursuant to a contract under this subsection by
6 reason of actions that are required by the contract
7 or by applicable law or regulations; and

8 “(ii) shall not be subject to payment of dam-
9 ages or attorney’s fees by reason of any action in
10 connection with efforts to collect such debt, except in
11 a case of bad faith, intentional misconduct, or un-
12 reasonable or abusive debt collection practices by the
13 contractor.

14 “(14)(A) The Secretary of the Treasury shall provide
15 that any contract with a private collection contractor
16 under this subsection shall include a provision—

17 “(i) that the contractor shall be measured on
18 performance in collecting delinquent debt under the
19 contract and compensated based on success in col-
20 lecting such debt; and

21 “(ii) that employees of the contractor involved
22 in the collection of debt under the contract receive
23 a minimum level of compensation, to be determined
24 by the Secretary, based on the wage and perform-

1 ance compensation structure prevalent in the indus-
2 try in the region in which the contractor is located.

3 “(B) The Secretary shall have sole responsibility and
4 authority for enforcing minimum compensation require-
5 ments included in contracts pursuant to this section.”.

6 (2) COLLECTION BY PROGRAM AGENCY.—Sec-
7 tion 3718 of title 31, United States Code, is further
8 amended by adding at the end the following:

9 “(j) In attempting to collect under this subsection
10 any debt owed to the United States, a private collection
11 contractor shall not be precluded from verifying the cur-
12 rent place of employment of the debtor, the location of
13 the payroll office of the debtor’s current employer, the pe-
14 riod the debtor has been employed by their current em-
15 ployer, and the compensation received by the debtor from
16 their current employer.

17 “(k)(1) The head of an executive, judicial, or legisla-
18 tive agency that contracts with a private collection con-
19 tractor to collect a debt owed to the agency, or a guaranty
20 agency or institution of higher education that contracts
21 with a private collection contractor to collect a debt owed
22 under any loan program authorized under title IV of the
23 Higher Education Act of 1965, shall include a provision
24 in the contract that the contractor—

1 “(A) shall be subject to penalties under the con-
2 tract if the contractor fails to comply with any re-
3 strictions imposed under applicable law on the collec-
4 tion activities of debt collectors; and

5 “(B) shall be subject to penalties under the
6 contract if the contractor engages in unreasonable or
7 abusive debt collection practices in connection with
8 the collection of debt under the contract.

9 “(2) Notwithstanding any other provision of law—

10 “(A) a private collection contractor under this
11 section shall not be subject to any liability or con-
12 tract penalties in connection with efforts to collect a
13 debt owed to an executive, judicial, or legislative
14 agency, or owed under any loan program authorized
15 under title IV of the Higher Education Act of 1965,
16 by reason of actions required by the contract, or by
17 applicable law or regulations; and

18 “(B) such a contractor shall not be subject to
19 payment of damages or attorney’s fees by reason of
20 any action in connection with efforts to collect such
21 a debt, except in a case of bad faith, intentional mis-
22 conduct, or unreasonable or abusive debt collection
23 practices by the contractor.

24 “(l)(1) The head of each executive, judicial, or legisla-
25 tive agency administering a contract with a private collec-

1 tion contractor under this section shall include in the con-
 2 tract a provision—

3 “(A) that the contractor is measured based on
 4 performance in collecting delinquent debt owed to
 5 the agency and compensated based on success in col-
 6 lecting such debt; and

7 “(B) that employees of the contractor involved
 8 in collection of such debt receive a minimum level of
 9 compensation, to be determined by the agency head,
 10 based on the wage and performance compensation
 11 structure prevalent in the industry in the region in
 12 which the contractor is located.

13 “(2) The head of the agency shall have sole respon-
 14 sibility and authority for enforcing minimum compensa-
 15 tion requirements included in contracts pursuant to this
 16 section.”.

17 (f) CLERICAL AMENDMENT.—Section 3720A(h) of
 18 title 31, United States Code, is amended—

19 (1) beginning in paragraph (3), by striking the
 20 close quotation marks and all that follows through
 21 the matter preceding subsection (i); and

22 (2) by adding at the end the following:

23 “For purposes of this subsection, the disbursing official
 24 for the Department of the Treasury is the Secretary of
 25 the Treasury or his or her designee.”.

1 (g) CORRECTION OF REFERENCES TO FEDERAL
 2 AGENCY.—(1) Sections 3716(c)(6) and 3720A (a), (b),
 3 (c), and (e) of title 31, United States Code, are each
 4 amended by striking “Federal agency” each place it ap-
 5 pears and inserting “executive, judicial, or legislative
 6 agency”.

7 (2) Section 3716(h)(2)(C), of title 31, United States
 8 Code, are each amended by striking “a Federal agency”
 9 and inserting “an executive, judicial, or legislative agen-
 10 cy”.

11 (3) Section 3720B of title 31, United States Code,
 12 is amended—

13 (A) by striking “a Federal agency” each place
 14 it appears and inserting “an executive, judicial, or
 15 legislative agency”; and

16 (B) by striking “any Federal agency” and in-
 17 serting “any executive, judicial, or legislative agen-
 18 cy”.

19 **SEC. 202. BARRING DELINQUENT FEDERAL DEBTORS FROM**
 20 **OBTAINING FEDERAL LOANS OR LOAN IN-**
 21 **SURANCE GUARANTEES.**

22 (a) IN GENERAL.—Section 3720B of title 31, United
 23 States Code, is amended to read as follows:

1 **“§ 3720B. Barring delinquent Federal debtors from**
2 **obtaining Federal benefits**

3 “(a)(1) A person shall not be eligible for the award
4 or renewal of any Federal benefit described in paragraph
5 (2) if the person has an outstanding debt (other than a
6 debt under the Internal Revenue Code of 1986) with any
7 executive, judicial, or legislative agency that is in a delin-
8 quent status, as determined under standards prescribed
9 by the Secretary of the Treasury. Such a person may ob-
10 tain additional Federal benefits described in paragraph (2)
11 only after such delinquency is resolved in accordance with
12 those standards.

13 “(2) The Federal benefits referred to in paragraph
14 (1) are the following:

15 “(A) Financial assistance in the form of a loan
16 (other than a disaster loan) or loan insurance or
17 guarantee.

18 “(B) Any Federal permit or license otherwise
19 required by law.

20 “(b)(1) The Secretary of the Treasury may exempt
21 any class of claims from the application of subsection (a),
22 at the request of an executive, judicial, or legislative agen-
23 cy.

24 “(2) The Secretary of the Treasury may waive the
25 application of subsection (a) with respect to any Federal
26 permit or license otherwise required by law.

1 “(c)(1) The head of any executive, judicial, or legisla-
 2 tive agency may waive the application of subsection (a)
 3 to any Federal benefit that is administered by the agency.

4 “(2) The head of an executive, judicial, or legislative
 5 agency may delegate the waiver authority under para-
 6 graph (1) to the Chief Financial Officer of the agency.

7 “(3) The Chief Financial Officer of an agency to
 8 whom waiver authority is delegated under paragraph (2)
 9 may redelegate that authority only to the Deputy Chief
 10 Financial Officer of the agency. The Deputy Chief Finan-
 11 cial Officer may not redelegate that authority.”.

12 (b) CLERICAL AMENDMENT.—The table of sections
 13 at the beginning of chapter 37 of title 31, United States
 14 Code, is amended by striking the item relating to section
 15 3720B and inserting the following:

“3720B. Barring delinquent Federal debtors from obtaining Federal benefits.”.

16 **SEC. 203. COLLECTION AND COMPROMISE OF NONTAX**
 17 **DEBTS AND CLAIMS.**

18 (a) USE OF PRIVATE COLLECTION CONTRACTORS
 19 AND FEDERAL DEBT COLLECTION CENTERS.—Para-
 20 graph (5) of section 3711(g) of title 31, United States
 21 Code, is amended to read as follows:

22 “(5)(A) Nontax debts referred or transferred under
 23 this subsection shall be serviced, collected, or com-
 24 promised, or collection action thereon suspended or termi-

1 nated, in accordance with otherwise applicable statutory
2 requirements and authorities.

3 “(B) The head of each executive agency that operates
4 a debt collection center may enter into an agreement with
5 the Secretary of the Treasury to carry out the purposes
6 of this subsection.

7 “(C) The Secretary of the Treasury shall—

8 “(i) maintain a schedule of private collection
9 contractors and debt collection centers operated by
10 agencies, that are eligible for referral of claims
11 under this subsection;

12 “(ii) maximize collections of delinquent debts by
13 referring delinquent debts promptly;

14 “(iii) maintain competition between private col-
15 lection contractors and debt collection centers oper-
16 ated by agencies;

17 “(iv) ensure, to the maximum extent prac-
18 ticable, that a private collection contractor to which
19 a debt is referred is responsible, to the greatest ex-
20 tent practicable, for any administrative costs associ-
21 ated with the contract under which the referral is
22 made.

23 “(D) The Secretary may, at the request of a State,
24 refer to a private collection contractor a child support debt
25 or claim administered by the State.”.

1 (b) LIMITATION ON DISCHARGE BEFORE USE OF
2 PRIVATE COLLECTION CONTRACTOR OR DEBT COLLEC-
3 TION CENTER.—Paragraph (9) of section 3711(g) of title
4 31, United States Code, is amended—

5 (1) by redesignating subparagraphs (A) through
6 (H) in order as clauses (i) through (viii);

7 (2) by inserting “(A)” after “(9)”;

8 (3) in subparagraph (A) (as designated by
9 paragraph (2) of this subsection) in the matter pre-
10 ceding clause (i) (as designated by paragraph (1) of
11 this subsection), by inserting “and subject to sub-
12 paragraph (B)” after “as applicable”; and

13 (4) by adding at the end the following:

14 “(B)(i) The head of an executive, judicial, or legisla-
15 tive agency may not terminate collection action on a debt
16 unless the debt has been referred to a private collection
17 contractor or a debt collection center for a period to be
18 determined by the Secretary of the Treasury.

19 “(ii) The Secretary of the Treasury may, at the re-
20 quest of an agency, waive the application of clause (i) to
21 any debt, or class of debts, if the Secretary of the Treas-
22 ury determines that the waiver is in the best interest of
23 the United States.”.

1 **TITLE III—SALE OF DEBTS OWED**
2 **TO UNITED STATES**

3 **SEC. 301. AUTHORITY TO SELL DEBTS.**

4 (a) PURPOSE.—The purpose of this section is to pro-
5 vide that the head of each executive, judicial, or legislative
6 agency shall establish a program of debt sales in order
7 to—

8 (1) minimize the loan and debt portfolios of the
9 agency;

10 (2) improve credit management while serving
11 public needs;

12 (3) reduce delinquent debts held by the agency;
13 and

14 (4) obtain the maximum value for loan and
15 debt assets.

16 (b) SALES AUTHORIZED.—(1) The head of an execu-
17 tive, judicial, or legislative agency may sell, subject to sec-
18 tion 504(b) of the Federal Credit Reform Act of 1990 (2
19 U.S.C. 661c(b)) and using competitive procedures, any
20 nontax debt owed to the United States that is adminis-
21 tered by the agency.

22 (2) Costs the agency incurs in selling debt pursuant
23 to this section may be deducted from the proceeds received
24 from the sale. Such costs may include, but are not limited
25 to—

1 (A) the costs of computer hardware and soft-
2 ware, processing and telecommunications equipment,
3 other equipment, supplies, and furniture;

4 (B) personnel training and travel costs;

5 (C) other personnel and administrative costs;

6 (D) the costs of any contract for identification,
7 billing, or collection services;

8 (E) the costs of contractors assisting in the sale
9 of debt;

10 (F) the fees of appraisers, auctioneers, and re-
11 alty brokers;

12 (G) the costs of advertising and surveying; and

13 (H) other reasonable costs incurred by the
14 agency.

15 (3) Sales of debt under this section—

16 (A) shall be for—

17 (i) cash; or

18 (ii) cash and a residuary equity, joint ven-
19 ture, or profit participation, if the head of the
20 agency determines that the proceeds will be
21 greater than the proceeds from a sale solely for
22 cash;

23 (B) shall be without recourse against the
24 United States, but may include the use of guaran-
25 tees if otherwise authorized by law; and

1 (C) shall transfer to the purchaser all rights of
2 the United States to demand payment of the debt,
3 other than with respect to a residuary equity, joint
4 venture, or profit participation under subparagraph
5 (A)(ii).

6 (c) EXISTING AUTHORITY NOT AFFECTED.—This
7 section is not intended to limit existing statutory authority
8 of the head of an executive, judicial, or legislative agency
9 to sell loans, debts, or other assets.

10 **SEC. 302. REQUIREMENT TO SELL CERTAIN DEBTS.**

11 (a) SALE OF DELINQUENT DEBTS.—The head of
12 each executive, judicial, or legislative agency shall sell any
13 nontax debt owed to the United States that is delinquent
14 for more than one year, pursuant to a schedule determined
15 by the Secretary of the Treasury to maximize the proceeds
16 from such sale. Sales under this subsection shall be con-
17 ducted under the authority in section 301.

18 (b) SALE OF LOANS.—The head of each executive,
19 judicial, or legislative agency shall sell each loan obligation
20 arising from a program administered by the agency, not
21 later than 6 months after the loan is disbursed, unless
22 the Secretary of the Treasury determines that a longer
23 period is necessary to protect the financial interests of the
24 United States. Sales under this subsection shall be con-
25 ducted under the authority in section 301.

1 (c) SALE OF DEBTS AFTER TERMINATION OF COL-
2 LECTION ACTION.—After terminating collection action,
3 the head of an executive, judicial, or legislative agency
4 shall sell, using competitive procedures, any nontax debt
5 or class of debts owed to the United States, unless the
6 Secretary of the Treasury determines that the sale is not
7 in the best interests of the United States.

8 (d) LIMITATIONS.—(1) The head of an executive, ju-
9 dicial, or legislative agency shall not, without the approval
10 of the Attorney General, sell any debt that is the subject
11 of an allegation of or investigation for fraud, or that has
12 been referred to the Department of Justice for litigation.

13 (2) The head of an executive, judicial, or legislative
14 agency shall not sell debts for less than the net present
15 value of such debts, as determined pursuant to the Federal
16 Credit Reform Act of 1990, adjusted by the net present
17 value of the estimated administrative costs associated with
18 administering the loan.

19 (3) The Secretary of the Treasury may, after a study
20 and review, exempt a class of debts from the requirement
21 in paragraph (2) if the Secretary determines that the sale
22 of such debts is not in the best financial interests of the
23 United States.

24 (4) The head of an executive, judicial, or legislative
25 agency may exempt from sale any class of debts if—

1 (A) the head of the agency determines that the
 2 sale would interfere with the mission of the agency
 3 administering the program under which the indebt-
 4 edness was incurred;

5 (B) the head of the agency provides to the Sec-
 6 retary of the Treasury a certification that such sale
 7 would interfere with the mission of the agency; and

8 (C) the Secretary of the Treasury concurs with
 9 the head of the agency that such sale would interfere
 10 with the mission of the agency.

11 **TITLE IV—TREATMENT OF HIGH** 12 **VALUE NONTAX DEBTS**

13 **SEC. 401. ANNUAL REPORT ON HIGH VALUE NONTAX** 14 **DEBTS.**

15 (a) IN GENERAL.—Not later than 90 days after the
 16 end of each fiscal year, the head of each agency that ad-
 17 ministers a program that gives rise to a delinquent high
 18 value nontax debt shall submit a report to Congress that
 19 lists each such debt.

20 (b) CONTENT.—A report under this section shall, for
 21 each debt listed in the report, include the following:

22 (1) The name of each person liable for the debt.

23 (2) The amounts of principal, interest, and pen-
 24 alty comprising the debt.

1 (3) The actions the agency has taken to collect
2 the debt.

3 (4) Specification of any portion of the debt that
4 has been written-down administratively or due to a
5 bankruptcy proceeding.

6 (c) DEFINITIONS.—In this subsection:

7 (1) AGENCY; DEBT.—Each of the terms “agen-
8 cy” and “debt” has the meaning that term has in
9 chapter 37 of title 31, United States Code, as
10 amended by this Act.

11 (2) HIGH VALUE NONTAX DEBT.—The term
12 “high value nontax debt” means a nontax debt hav-
13 ing an outstanding value (including principal, inter-
14 est, and penalties) that exceeds \$1,000,000.

15 **SEC. 402. DEBARMENT FROM OBTAINING FEDERAL LOANS**
16 **OR LOAN GUARANTEES.**

17 Section 3720B of title 31, United States Code, is
18 amended—

19 (1) in subsection (a) by inserting “(1)” after
20 “(a)”;

21 (2) by redesignating subsection (b) as para-
22 graph (2) of subsection (a);

23 (3) in subsection (a)(2) (as so redesignated) by
24 striking “under subsection (a)” and inserting “under
25 paragraph (1)”;

1 (4) by adding at the end the following:

2 “(b)(1) A person may not obtain any Federal finan-
3 cial assistance in the form of a loan (other than a disaster
4 loan) or loan insurance or guarantee if the person has an
5 outstanding high value nontax debt with any Federal
6 agency which is in a delinquent status, as determined
7 under standards prescribed by the Secretary of the Treas-
8 ury. Such a person may obtain additional loans or loan
9 guarantees only after such delinquency is resolved in ac-
10 cordance with those standards.

11 “(2) In this subsection, the term ‘high value nontax
12 debt’ means a debt having an outstanding value (including
13 principal, interest, and penalties) that exceeds
14 \$1,000,000.”.

15 **SEC. 403. INSPECTOR GENERAL REVIEW.**

16 Section 3718 of title 31, United States Code, is
17 amended by adding at the end the following:

18 “(j)(1) The Inspector General of each agency shall
19 review and report to the Congress and the head of an
20 agency on each compromise, default, or final resolution in
21 bankruptcy of a high value nontax debt arising out of the
22 activities of, or referred to, the agency.

23 “(2) In each review and report to an agency under
24 this subsection, the Inspector General shall rate the per-
25 formance of the head of the agency in seeking to collect

1 the debt, and recommend any changes in the debt collec-
2 tion practices of the agency that are appropriate to reduce
3 the aggregate amount of high value nontax debts that are
4 resolved finally in whole or in part by compromise, default,
5 or bankruptcy to less than 1 percent of the aggregate
6 amount of all high value nontax debts.

7 “(3) In this subsection, the term ‘high value nontax
8 debt’ means a debt—

9 “(A) having an outstanding value (including
10 principal, interest, and penalties) that exceeds
11 \$1,000,000; and

12 “(B) that has not been referred to the Depart-
13 ment of Justice for litigation or to the Department
14 of the Treasury for collection action.”.

15 **SEC. 404. REQUIREMENT TO SEEK SEIZURE AND FORFEIT-**
16 **URE OF ASSETS SECURING HIGH VALUE**
17 **NONTAX DEBT.**

18 The head of an agency authorized to collect a high
19 value nontax debt that is delinquent shall promptly seek
20 seizure and forfeiture of assets pledged to the United
21 States in any transaction giving rise to the nontax debt.

1 **TITLE V—FEDERAL PAYMENTS**

2 **SEC. 501. TRANSFER OF RESPONSIBILITY TO SECRETARY**
3 **OF THE TREASURY WITH RESPECT TO**
4 **PROMPT PAYMENT.**

5 (a) DEFINITION.—Section 3901(a)(3) of title 31,
6 United States Code, is amended by striking “Director of
7 the Office of Management and Budget” and inserting
8 “Secretary of the Treasury”.

9 (b) INTEREST.—Section 3902(c)(3) of title 31,
10 United States Code, is amended by striking “Director of
11 the Office of Management and Budget” and inserting
12 “Secretary of the Treasury”.

13 (c) REGULATIONS.—Section 3903(a)(1) of title 31,
14 United States Code, is amended by striking “Director of
15 the Office of Management and Budget” and inserting
16 “Secretary of the Treasury”.

17 (d) REPORTS.—Section 3906(a) of title 31, United
18 States Code, is amended by striking “Director of the Of-
19 fice of Management and Budget” each place it appears
20 and inserting “Secretary of the Treasury”.

21 **SEC. 502. PROMOTING ELECTRONIC PAYMENTS.**

22 Section 3903(a) of title 31, United States Code, is
23 amended—

24 (1) by amending paragraph (1) to read as fol-
25 lows:

1 “(1) provide that the required payment date
2 is—

3 “(A) the date payment is due under the
4 contract for the item of property or service pro-
5 vided; or

6 “(B) no later than 30 days after a proper
7 invoice for the amount due is received if a spe-
8 cific payment date is not established by con-
9 tract;”; and

10 (2) by striking “and” after the semicolon at the
11 end of paragraph (8), by striking the period at the
12 end of paragraph (9) and inserting a semicolon, and
13 by adding at the end the following:

14 “(10) provide that the Secretary of the Treas-
15 ury may waive the application of requirements under
16 paragraph (1) to provide for early payment of ven-
17 dors in cases where an agency will implement an
18 electronic payment technology which improves agen-
19 cy cash management and business practice; and

20 “(11) provide that a vendor is required to pay
21 interest to the United States on unearned amounts
22 in its possession.”.

1 **TITLE VI—FEDERAL BENEFIT**
2 **VERIFICATION AND INTEG-**
3 **RITY TESTS**

4 **SEC. 601. SHORT TITLE.**

5 This title may be cited as the “Federal Benefit Ver-
6 ification and Integrity Act”.

7 **SEC. 602. PURPOSES.**

8 The purposes of this title are the following:

9 (1) To reduce errors in Federal benefit pro-
10 grams that lead to waste, fraud, or abuse and en-
11 courage agencies to work together to identify com-
12 mon sources of errors.

13 (2) To identify solutions to common problems
14 that will save money for the taxpayer and dem-
15 onstrate the Government’s ability to deliver Federal
16 benefits to the right person, at the right time, for
17 the right amount.

18 (3) To focus on increasing accuracy and effi-
19 ciency for Federal benefit program eligibility, finan-
20 cial and program management, and debt collection.

21 (4) To improve the coordination of Government
22 information resources across Government agencies to
23 strengthen the delivery of Federal benefits.

1 (5) To balance the need for data in verifying
2 eligibility with the paperwork burden and privacy in-
3 trusion that data sharing imposes.

4 (6) To emphasize deterring and preventing
5 fraud in the provision of Federal benefits, rather
6 than seeking to detect fraud after Federal benefits
7 have been provided.

8 (7) To ensure that agencies administering fed-
9 erally funded benefit programs inform applicants ap-
10 plying for benefits under those programs that their
11 data can be shared to verify their eligibility for those
12 benefits.

13 (8) To encourage individuals to provide accu-
14 rate information when applying for benefits under
15 federally funded benefit programs.

16 **SEC. 603. DEFINITIONS.**

17 In this title:

18 (1) **BOARD.**—The term “Board” means the
19 Federal Benefit Verification and Payment Integrity
20 Board established under this title.

21 (2) **FEDERAL BENEFIT PROGRAM.**—The term
22 “Federal benefit program” means any program ad-
23 ministered or funded by the Federal Government, or
24 by any agent or State on behalf of the Federal Gov-
25 ernment, providing cash assistance or in-kind assist-

1 ance in the form of payments, grants, loans, or loan
2 guarantees to or for the benefit of any person.

3 **Subtitle A—Notification of Federal**
4 **Benefit Recipients Regarding**
5 **Data Verification**

6 **SEC. 612. PROGRAM AGENCY RESPONSIBILITY TO PROVIDE**
7 **CORRECT INFORMATION.**

8 (a) IN GENERAL.—An agency that administers a
9 Federal benefit payment program shall provide notice in-
10 forming applicants under the program, in information ma-
11 terial and instructions accompanying program application
12 forms, that applicants' data may be verified to the extent
13 permitted by law.

14 (b) AGENCY COMPLIANCE.—An agency may comply
15 with subsection (a) by modifying program materials and
16 applications to include such notice as part of their normal
17 reissuance cycle for reprinting forms, but in no case later
18 than December 31, 2000.

19 (c) RECORD OF ACKNOWLEDGMENTS.—The head of
20 each agency that administers a Federal benefit program
21 shall maintain a record of each applicant's acknowledg-
22 ment that the applicant has received notice of the uses
23 and disclosures to be made of the applicant's information,
24 for as long as the applicant receives benefits from or owes
25 a debt to the Government under the program.

1 **Subtitle B—Federal Benefit Pro-**
2 **gram Management Improve-**
3 **ment Tests**

4 **SEC. 621. TESTS OF PRACTICES AND TECHNIQUES FOR IM-**
5 **PROVING FEDERAL BENEFIT PROGRAM MAN-**
6 **AGEMENT.**

7 (a) **AUTHORITY TO CONDUCT TESTS.—**

8 (1) **IN GENERAL.**—A Federal agency that ad-
9 ministers a Federal benefit program may conduct a
10 test of information technology practices or tech-
11 niques to improve income verification, debt collec-
12 tion, data privacy and integrity protection, and iden-
13 tification authentication in the administration of the
14 program, in accordance with a proposal approved by
15 the Federal Benefit Verification and Payment Integ-
16 rity Board established by this subtitle.

17 (2) **WAIVER OF REGULATIONS.**—Upon the re-
18 quest of the Board, the head of an agency may
19 waive the enforcement of any regulation of the agen-
20 cy for the purposes of carrying out a test under this
21 section.

22 (3) **IDENTIFICATION OF TEST AREAS.**—The Di-
23 rector of the Office of Management and Budget and
24 the Chief Information Officers' Council shall each
25 recommend to the Board, within 120 days after the

1 date of enactment of this Act, various information
2 technology practices and techniques that should be
3 tested under this subtitle.

4 (b) APPROVAL OF AGENCY PROPOSALS.—

5 (1) IN GENERAL.—The head of a Federal agen-
6 cy may develop and submit to the Board a proposal
7 for carrying out a test under this section for a spe-
8 cific Federal benefit program administered by the
9 agency. The proposal shall contain specific goals, in-
10 cluding a schedule, for improving customer service
11 and error reduction in the program and other infor-
12 mation requested by the Board.

13 (2) CONTENTS.—The proposal shall provide for
14 the testing of information sharing in an integrated
15 manner where feasible of electronic practices and
16 techniques for improving Federal benefit program
17 management, including the following:

18 (A) Use of encryption and electronic signa-
19 ture technology consistent with techniques ac-
20 ceptable to the National Institute of Standards
21 and Technology, to protect the confidentiality
22 and integrity of information.

23 (B) Use of other security controls and
24 monitoring tools.

1 (C) Use of risk profiles and risk alert tech-
2 nologies, including use of Federal, State, and
3 private databases such as the National Direc-
4 tory of New Hires, Federal and State tax data,
5 and credit bureau data.

6 (D) Establishment of a management
7 framework for exploring and reducing the infor-
8 mation security risks associated with Federal
9 agency operations and technologies, including
10 risk assessments and disaster recovery plan-
11 ning.

12 (3) CONSULTATION.—Any agency whose pro-
13 posals would require access to another agency’s
14 database shall consult with that agency prior to sub-
15 mission of the proposal to the Board.

16 (4) PRIVACY SAFEGUARDS.—A proposal submit-
17 ted to the Board must contain a description of ap-
18 propriate administrative, technical, and physical
19 safeguards to ensure the security and confidentiality
20 of records and to protect against any anticipated
21 threats or hazards to their security or integrity
22 which could result in substantial harm, embarrass-
23 ment, inconvenience, or unfairness to any individual
24 on whom information is maintained. The proposal
25 shall include, in particular, prohibitions on duplica-

1 tion and redisclosure of records provided by the
2 source agency within or outside the recipient entity,
3 except where required by law or essential to the con-
4 duct of the test.

5 (5) AGENCY REIMBURSEMENT.—The proposal
6 shall include an estimate for reimbursement that
7 may be charged by a Federal agency to another
8 agency in conducting tests under the proposal.

9 (6) REVIEW OF PROPOSALS.—Not later than 60
10 days after the date of receipt of a proposal under
11 this subsection, the Board shall review and rec-
12 ommend disposition of the proposal to the heads of
13 the data sharing agencies under the proposal.

14 (c) COOPERATIVE AGREEMENTS AND CONTRACTS.—
15 The head of an agency participating in a test under this
16 section, in consultation with the Board, may enter into
17 a cooperative agreement with a State or contract with a
18 private entity under which the State or private entity, re-
19 spectively, may provide services on behalf of the Federal
20 agency in carrying out the test.

21 (d) GENERAL IMPLEMENTATION PLAN.—The Board
22 shall prepare a plan for the implementation of this section,
23 including for the coordination of the conduct of tests
24 under this subtitle and the procedures for submission of
25 proposals for those tests.

1 (e) REPORTS ON RESULTS OF TESTS.—

2 (1) ANNUAL REPORT.—Beginning not later
3 than 1 year after the date of enactment of this Act,
4 the Board shall submit annually to the Congress a
5 report on the tests conducted under this section.

6 (2) CONTENT.—The report shall include—

7 (A) an estimate of potential cost savings
8 and other impacts demonstrated by the tests;

9 (B) an analysis of the feasibility of apply-
10 ing the practices and techniques demonstrated
11 in each test within the Federal Government, in-
12 cluding analysis of what was the least amount
13 of information that was necessary to verify eli-
14 gibility of applicants under each Federal benefit
15 program that participated in the tests;

16 (C) an assessment of the value of State
17 data in those tests; and

18 (D) such recommendations as the Board
19 considers appropriate.

20 (f) AUTHORITY TO REQUEST TEST.—The Board
21 may request the head of a Federal agency that administers
22 a Federal benefit program to conduct a test under this
23 section, including the preparation and submission of a pro-
24 posal for such a test in accordance with this section. The

1 head of an agency shall respond within 30 days by approv-
2 ing or disapproving such a request of the Board.

3 (g) USE OF TEST INFORMATION.—Information on
4 any individual obtained in the course of a test under this
5 section shall not be used as the exclusive basis of a deci-
6 sion concerning the rights, benefits, or privileges of any
7 individual.

8 **SEC. 622. SHARING OF INFORMATION IN NATIONAL DIREC-**
9 **TORY OF NEW HIRES.**

10 (a) AVAILABILITY OF INFORMATION.—Notwithstand-
11 ing section 453(l) of the Social Security Act (42 U.S.C.
12 653(l)), the Secretary of Health and Human Services may
13 disclose information to another Federal agency from the
14 National Directory of New Hires established pursuant to
15 section 453(i) of that Act (42 U.S.C. 653(i)) based on
16 matches conducted by the Department of Health and
17 Human Services for purposes of conducting a test under
18 this subtitle.

19 (b) AUTHORITY TO DISCLOSE INFORMATION.—The
20 head of an agency to whom information is disclosed under
21 this section may disclose the information to another Fed-
22 eral agency for use by the agency only as specified under
23 a test proposal under this subtitle. The head of a Federal
24 agency to whom information is disclosed under this sub-
25 section may disclose such information to a State agency

1 administering a federally funded benefit program, a public
 2 housing authority, or a guaranty agency (as that term is
 3 defined in section 435(j) of the Higher Education Act of
 4 1965) only for the purpose of conducting the test.

5 (c) REDISCLOSURE LIMITATION.—An entity that re-
 6 ceives information for use in a test under this title that
 7 it was not otherwise authorized by law to obtain may not
 8 redisclose the information or use it for any other purpose.

9 (d) SHARING OF STATE INFORMATION.—The provi-
 10 sion of information pursuant to subsection (a) shall not
 11 affect any determination of whether a State meets the re-
 12 quirements of section 303(h)(1)(C) of the Social Security
 13 Act.

14 **SEC. 623. INCREASED PENALTIES AND PUNITIVE DAMAGES**
 15 **UNDER PRIVACY ACT.**

16 (a) INCREASED PENALTIES.—Section 552a(i) of title
 17 5, United States Code, is amended in each of paragraphs
 18 (1) and (3) by striking “shall be guilty” and all that fol-
 19 lows through the period and inserting “shall be fined not
 20 more than \$10,000, imprisoned for not more than one
 21 year, or both.”.

22 (b) PUNITIVE DAMAGES.—Section 552a(g)(4) of title
 23 5, United States Code, is amended—

24 (1) by redesignating subparagraphs (A) and
 25 (B) as clauses (i) and (ii), respectively;

1 (2) by inserting “(A)” after “(4)”; and

2 (3) by adding at the end the following:

3 “(2) In any such suit in which the court determines that
4 the agency acted in a manner that was willful and inten-
5 tional, the court may award punitive damages in addition
6 to damages and costs referred to in subparagraph (A).”.

7 **SEC. 624. ESTABLISHMENT OF THE FEDERAL BENEFIT VER-**
8 **IFICATION AND PAYMENT INTEGRITY BOARD.**

9 (a) **ESTABLISHMENT.**—There is hereby established
10 the Federal Benefit Verification and Payment Integrity
11 Board.

12 (b) **MEMBERSHIP.**—The Board shall be composed of
13 10 members appointed from among Federal or State em-
14 ployees, as follows:

15 (1) 3 members, of whom one shall be appointed
16 by the head of each of 3 Federal agencies designated
17 by the Director of the Office of Management and
18 Budget. The Director shall designate agencies under
19 this paragraph from among the Federal agencies re-
20 sponsible for administering Federal benefit pro-
21 grams.

22 (2) 2 members appointed by the Director of the
23 Office of Management and Budget, of whom at least
24 one shall be a State employee appointed to represent

1 federally funded State administered benefits pro-
2 grams.

3 (3) 1 member appointed by the Secretary of
4 Health and Human Services.

5 (4) 1 member appointed by the Secretary of the
6 Treasury.

7 (5) 1 member appointed by the Commissioner
8 of Social Security.

9 (6) 1 member appointed by the Secretary of
10 Labor.

11 (7) 1 member appointed by the Director of the
12 Office of Management and Budget to address pri-
13 vacy concerns.

14 (c) CHAIRPERSON.—The Director of the Office of
15 Management and Budget shall designate one of the mem-
16 bers of the Board as the chairperson of the Board.

17 (d) ADMINISTRATIVE SUPPORT.—The heads of Fed-
18 eral agencies having a member on the Board may provide
19 to the Board such administrative and other support serv-
20 ices and facilities as the Board may require to perform
21 its functions under this subtitle.

22 (e) TRAVEL EXPENSES.—Members of the Board
23 shall receive travel expenses, including per diem, in lieu
24 of subsistence, in accordance with sections 5702 and 5703
25 of title 5, United States Code.

1 (f) REPORTS.—The Board shall periodically report to
2 the Director of the Office of Management and Budget re-
3 garding its activities.

4 **SEC. 625. IMPLEMENTATION OF TESTED INFORMATION**
5 **TECHNOLOGY PRACTICES OR TECHNIQUES.**

6 (a) RECOMMENDATIONS.—If the Board determines
7 that any information technology practice, technique, or in-
8 formation sharing initiative tested under this subtitle was
9 successfully demonstrated in the test and should be imple-
10 mented in the administration of a Federal benefit pro-
11 gram, the Board—

12 (1) shall recommend regulations or legislation
13 to implement that practice, technique, or initiative,
14 if the Board determines that implementation is not
15 otherwise prohibited under another law; or

16 (2) include in its annual report to the Congress
17 under section 621 recommendations for such legisla-
18 tion as may be necessary to authorize that imple-
19 mentation.

20 (b) REQUIREMENTS REGARDING DATA PROCESSING
21 SYSTEMS.—The Board shall include in any recommenda-
22 tion of regulations under subsection (a)—

23 (1) provisions that ensure use of generally ac-
24 cepted data processing system development meth-
25 odology; and

1 (2) provisions that will result in system archi-
2 tecture that will facilitate information exchange, in-
3 crease data sharing, and reduce costs, by elimination
4 of redundancy in development and acquisition of
5 data processing systems.

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